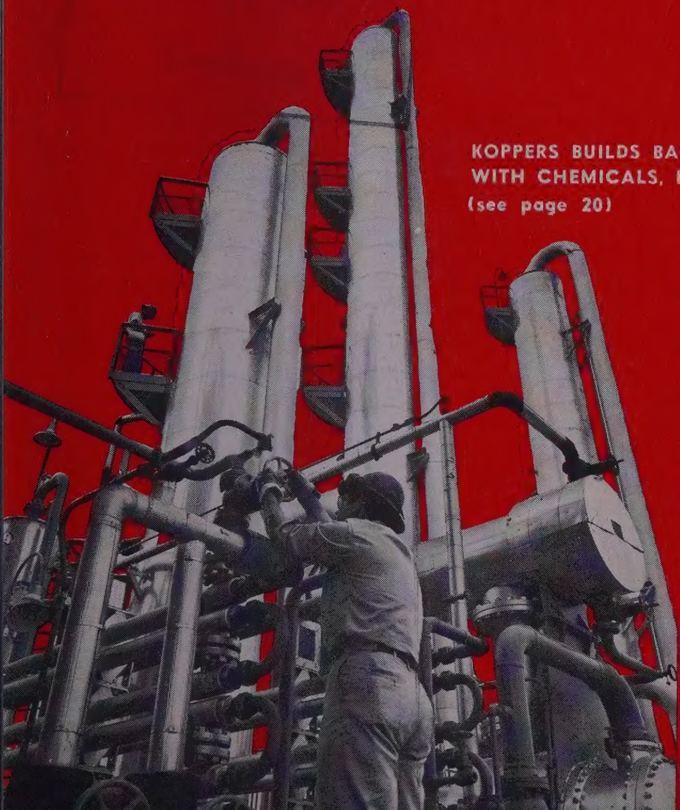
May 11, 1960

Investor's Reader

For a better understanding of business news



KOPPERS BUILDS BACKLOG WITH CHEMICALS, PLASTICS

(see page 20)

AURORA-MOBILES

Thanks to plastic hobby kit specialist Aurora Plastics Corp of West Hempstead, NY, gadget-minded youngsters will soon be able to man the roads as well as the rails in a Lilliputian world.

By late Summer the Long Island toy maker will offer "Model Motoring," an HO-scaled highway system which sports the latest in convertibles, sports cars or long-haul trailers geared to travel on a carefully constructed four-lane plastic expressway at speeds up to 120 feet a minute (the scaled-down equivalent of 150 mph on a full-sized highway). Power is supplied through a transformer or power pack which provides 12-to-24 volt current to conductor strips in the road bed. Each of the vehicles has its own miniature motor—a device so tiny it took four years to develop one small enough to fit into a two-inch car. Fed by the juice picked up from the conductor strips, the motor powers the car's rear wheel drive. The entire miniature highway system will retail around $11 with deluxe models priced substantially steeper.

Long Island-based Aurora is an expert in pint-sized production. Its more than 180 plastic kits feature parts used to build exact replicas of airplanes, missiles, ships, racing cars, tanks, rifles, knights in armor and sundry other model figures. In addition the Aurora hobby line includes copper-craft tooling kits, gasoline-driven model airplanes and kits for making crystal as well as transistor radios and intercommunication telephone units.

These do-it-yourself specialties brought 1959 sales to a record $4,948,000 while earnings came to a peak $312,000 or 57¢ a share. This compares with 1958 sales of $4,890,000 and profits of $288,000 (52¢). The $3,000,000-assets company will celebrate its tenth birthday this year, expects to ride further on its booming hobby highroad during its second decade.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated May 11, 1960.

INDEX PAGE

Investor's Reader

No 10, Vol 34 May 11, 1960

Business on a High Plateau

Very Mixed First Quarter Results Average Slightly On Plus Side

THE HESITANCY which has beset the stock market all year reflects, virtually all the pundits agree, not darkening of the economic skies but rather disappointment that business has not zoomed as most folks (relying on the advice of the pundits) had expected.

Overall, business is certainly good. The Gross National Product climbed to $498 billion (annual rate) in the first quarter and more likely than not will cross the awe-inspiring half-trillion mark during the current three months. This compares with $470.4 billion and $484.8 billion in the first two quarters of 1959. After allowance for inflation, the latest figure still tops the best previous quarter (June 1959) by 7 billion "constant dollars" or not quite 2%—definitely a new high though hardly a startling advance.

Personal income pushed from $351 billion in 1957 to $359 billion in 1958 and jumped to $380 billion last year. By last December it had reached an annual rate of $392 billion. Although it has continued to creep up every month since, the total advance so far in 1960 has come to only $1.5 billion.

Industrial production scored a new high of 111 in January (based on the new norm of 1957 = 100), has since eased two points. But even this point has been topped only by the 110 of last June when everyone tried to fatten before the steel famine. It is substantially better than any period before 1959. And relatively little immediate change is foreseen in the present high rate.

In short, the key indicators show the economy at a record, or virtually so. But at the same time the rate of progress has pretty well leveled off so far this year.

The same story appears to hold

for corporate profits. By now a substantial but widely scattered group of first quarter reports is in. While individual results show extreme variations from big profits jumps like Allis-Chalmers (28¢ a share *v* a 43¢ loss), American Smelting ($1.22 *v* 51¢) and New York Central (51¢ *v* 3¢) to deep deficits like American Export (34¢ loss *v* 46¢ profit), the aggregate shows only mild changes from previous high levels.

A survey of 121 early reporters shows an average 11.9% decline from the final quarter of 1959 with 43 companies showing higher earnings, 75 lower and 3 unchanged. But the final quarter in any year (even in steel struck 1959) tends to be seasonally high and include many special yearend adjustments.

When compared with the first 1959 quarter, 72 of these companies reported improvement, only 43 slipped back while six showed no change. But the average gain was slim, came to only 2.3%.

Storms. Of course individual variations in earnings trends are always strong but this time they seem to have been more extreme than ever, perhaps because of an unusual number of special factors. Foremost among unpredictable results was weather with "the most miserable March" in recent memory. Most retailers suffered sharp declines. Luckily, this year's late Easter (normally considered a sales deterrent) left time for fair-weather shopping at a record pace and by the end of April total retail volume had nicely surpassed the first four months of 1959.

But the weather impact reaches way beyond shoppers. Most cement companies found their business curtailed far more than customary. This was the chief explanation by General Portland Cement whose net dipped to 28¢ from 40¢. Similarly Lehigh Portland earned 15¢ *v* 20¢, Penn-Dixie 4¢ *v* 20¢ while Alpha Portland lost $427,000 against a $34,000 profit the year before. Homebuilding suppliers suffered too but more from dearth of mortgage money than from snow storms.

Weather was also one factor cited by US Rubber whose first quarter net eased to $1.50 from $1.55. However the company also noted last year's first quarter was boosted by a buying surge before the April strike. B F Goodrich also found net down to $1.01 from $1.15 while independent Seiberling, decrying both bad weather and lower prices, ended up with a first quarter deficit.

Utilities forked over extra maintenance and repair funds. Thus the $165,000 extra cost of an ice storm cut Rochester Telephone's first quarter net below 1959 though the company confidently looks for higher full-year earnings. Railroads in the storm zones were hit by snow clearing costs as well as lost traffic and truckers also suffered.

Numerous other factors of course also played a major role. For instance New York Air Brake saw product development and tooling expenses hold net to 53¢ *v* 69¢ despite a 10% gain in sales but spoke cheerfully of heavier railroad orders.

Libbey-Owens-Ford had a satisfactory $1.31 quarter but it fell

short of last year's $1.64 when competitor Pittsburgh Plate Glass was on strike and demand extremely strong. Pittsburgh Plate recovered to $1.20 *v* 38¢. Other kinds of glass makers just about matched last year as for instance Owens-Illinois at 96¢ *v* 98¢, Corning at 87¢ *v* 85¢ and Anchor Hocking at 60¢ *v* 62¢.

Bellwethers. As they swiftly caught up with pent-up demand, practically all the steelmakers racked up a big if not record first quarter (IR, April 27). One pronounced exception: Colorado Fuel & Iron which earned 72¢ *v* $1.30. But the whole industry expects a second quarter far below last year's exceptional period. On the other hearth, the second half can hardly help being better than 1959 when the struck companies incurred huge deficits. On balance the full year should prove, in the phrase of Big Steel's Roger Blough, "one of the best average years we've had."

Automakers also have not quite lived up to early hopes but are currently doing a respectably brisk business, especially in the lower profit margined compacts. GM (strong in big cars) and Ford both had their best first quarter ever.

As often, there are plenty of intra-industry crosscurrents. Among auto equippers, for instance, Eaton is up to 99¢ from 90¢ and Electric Autolite to $1.63 from $1.25 but Budd earnings dropped to 63¢ from 94¢. In aluminum Reynolds dropped to 30¢ from 51¢ on $5,000,000 less sales but Kaiser recovered to 41¢ from 20¢ with a $14,000,000 sales boost. The Western Maryland eased to 77¢ from 94¢ but bigger coal carrier Norfolk & Western chugged to a record $1.90 *v* $1.74. Chemical and drug companies generally gained but there were prominent exceptions like duPont and Merck.

Perhaps most interesting of all, a number of companies which did better in the first quarter warned the rest of the year might be slower. Thus Foster Wheeler netted 97¢ *v* 81¢ in the first quarter but expected full-year earnings to fall short of record 1959. Southern California Edison noted the $1.02 *v* 96¢ first quarter rise is "not necessarily indicative of the full year" because of an expected rise in fuel costs. Dairyman Borden Company looks for another year of record earnings but not at the 55¢ *v* 47¢ rate of the first quarter.

Conversely, a substantial group of companies count on overcoming the first quarter lag before the year ends. CBS president Dr Frank Stanton told stockholders he hopes to top 1959's $3.11 though the first quarter was a little behind last year. Rheem Manufacturing, trailing 11¢ *v* 17¢ at the quarter, voices similar hopes. US Rubber chairman Humphreys sees a new full-year record of $5.50-to-$6 *v* $5.30. US Gypsum, off to a $1 *v* $1.16 start, expects 1960 sales to about match 1959 and notes profit margins have been maintained. Construction supplier Vulcan Materials expects to top last year's 94¢ despite a loss in the first quarter.

All of which reiterates individual companies must tread many a hilly path atop the high business plateau.

NATIONAL ECONOMY

Automatic Auto

THE ERA of the drives-itself car may be roaring closer. RCA is working on an automotive autopilot (according to some reports, in collaboration with GM). In any case, RCA is fitting a standard '60 GM model with special electronic equipment due to be tested early next month on a specially built electronic highway at RCA's Princeton Labs.

While the fully automatic car might require special installations on every highway, perhaps similar to the conductor strips of the Aurora Plastics toy highway (see inside front cover), an RCA spokesman confided: "Some features, especially as regards safety, may be ready for immediate results."

METALS

General Cable Wired for Growth

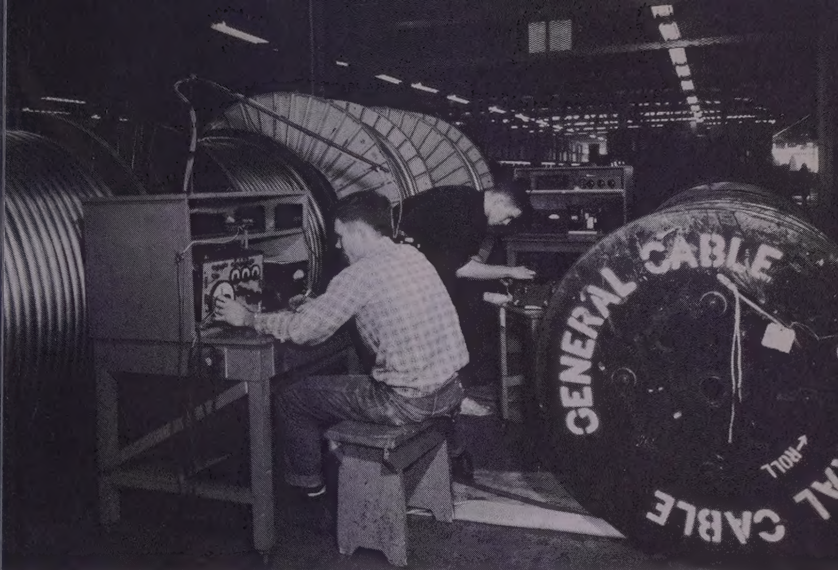
THE POPULAR WAVE of diversification has swept many a corporation into new fields. One of the holdouts is General Cable Corp, the largest independent US producer of wire & cable. Instead the company has since 1954 stretched its wire & cable product lines until today they are the broadest in the industry.

At the company's modernistic headquarters in the new General Telephone building on Manhattan's refurbished Third Avenue vice president & secretary J Karl Schneider last week explained: "While we're certainly not against diversification if the right opportunities come along, our real concern is expanding the cable business which we feel offers us great growth possibilities."

But growth has been subject to business cycles. After the 1956 peak profits of \$4.21 a common share on \$186,650,000 volume, both sales and earnings declined for two years straight. But last year, despite the effects of both steel and copper strikes, General Cable rebounded as sales rose 21% to \$170,000,000 and profits recovered to \$8,700,000 or \$2.71 a common share from \$7,100,000 (\$2.19). So far this year General Cable continues to gain. With first quarter volume "well ahead of last year" the company last week reported profits of \$2,378,000 or 74¢ a share *v* \$2,010,000 (61¢).

General Cable's optimism for 1960 is evident. President James R MacDonald has estimated full year profits at \$3.50 a share and Karl Schneider figures sales will be "somewhere over \$200,000,000." About one-third of General Cable output is sold to electric utilities, another third to phone companies. Construction accounts for one-sixth with the Government and appliance manufacturers taking most of the rest.

Says vp Schneider: "In the last ten years consumption of electricity in the US has more than doubled and the number of telephones has increased 55% and it looks like this trend will continue." Through its various plants—including subsidiary Alphaduct Wire & Cable which it acquired in 1956 from General Telephone—General Cable supplies



Tests for telephone cable

all the communications wire for the No 1 phone independent. This business alone accounted for about one-quarter of General Cable sales last year.

The Alphaduct deal gave General Telephone a 13% equity interest in General Cable and the two companies have been close ever since. However there is no General Telephone representation on General Cable's board. On the other hand American Smelting & Refining, which has a 31% interest in General Cable and last year supplied it with $9,250,000 in refined metals, has six seats on the 14-man board of GK (General Cable's ticker symbol). Among them is Asarco's own chairman John D MacKenzie who serves as chairman of the General Cable executive committee.

Though still small, General Cable's Government business (mostly missile work) shows signs of expanding. Quips vp Schneider: "It could go sky high." The average missile base needs $20,000,000 or more of electric wire and cable and the Government has stated it may establish as many as 87 such bases in the next few years. But Karl Schneider cautions: "It's still a matter of when, as & if. And at this time we can't predict how much of this business will show up in our 1960 earnings. But whenever the Government decides to go ahead, we'll be ready. With our experience in communication cable and our facilities we are equipped to handle any volume of this business."

Since 1955 General Cable has decentralized operations. It feels a small, strategically located plant with limited production is best suited to its type of manufacturing. Three large older plants were broken into

two units each while newer plants were built smaller and scattered geographically. Thus the company has expanded from six plants in four states in 1954 to 24 plants in twelve states at the end of 1959. New since 1957 are facilities in Bonham, Texas, St Petersburg, Sanger, Cal and Quincy, Mich. All are located outside established industrial areas but easily accessible to them. On the agenda for this year are plants in Cass City, Mich and Elkton, Md plus expansion of its Memphis facilities.

Another form of expansion has been acquisition of small companies. Since 1955 GK has added a total of eight, most of them wire mills.

Its new plant setup has furthered another GK program: more rapid distribution of products. In addition, General Cable has during the past five years developed a network of 50 distribution centers located near top consumer centers and it plans "up to ten more" this year. The company figures it has the most extensive system in the industry. And it has meant decreased transportation costs as well as improved customer service.

While distribution costs are somewhat within GK control, raw material prices are not. Indeed the company is highly dependent on perhaps the most volatile metal on the market—copper. Price fluctuations are wide. For instance during the last seven years copper prices ranged from 23¢ to 55¢ a pound, are currently 33¢. Last December's strike settlement at Kennecott, the cable maker's main copper source, has greatly loosened the tight supply. One solution for the repeated shortages of copper is a more extensive switch to stabler aluminum. In fact aluminum is now used in 26% of the wire made by GK. But copper is still the big raw material and GK uses it in 58% of its wire production. Steel accounts for the remaining 16%.

Meantime GK stock has held up well in the recent unsteady market. It currently sells around 43—back within three points of the post-1929 high of 46 set in mid-1957 and a solid thirteen points above the subsequent late-1957 low.

CHEMICALS
Union Carbide Caucus

THE STAGE at Manhattan's Hunter College auditorium was scarcely big enough to hold the 35-man management team of Union Carbide Corp as it lined up shoulder-to-shoulder for the company's 43rd annual meeting two weeks ago. But while the stage overflowed with Carbide executives only 750-odd stockholders filed into the huge 2,000-seat auditorium to hear chairman Morse Dial and president Howard Bunn review the $1.5 billion-assets chemical company's record-shattering year. For the second year Carbide did not provide lunch for attending stockholders but executives Dial and Bunn had other tasty tidbits to offer their corporate family. Some samples:

- Despite the strike-affected second half the No 2 US chemist last year scored historic high sales of $1.5 billion, up 18% from 1958. Earnings

also reached a peak of $171,640,000 or $5.70 a share for a 37% boost over 1958 when profits were $4.15.

• This record pattern continued for the first 1960 quarter. Chairman Dial announced: "Sales were the best for any first quarter in company history" at $395,300,000 *v* $363,600,000. Profits set another record of $42,090,000 or $1.40 a share *v* $41,580,000 ($1.38).

• Capital expenditures also set new records. President Bunn noted: "In the last three years we spent $471,000,000 for new plants and equipment." For this year and next the company is budgeting another $350,000,000 for new facilities, mainly chemicals, plastics, industrial gases. One new research development is an anti-smog auto exhaust purifying system. However it still must undergo substantial further tests.

UK (as Carbide is called on the Big Board) does not limit its expansion to the US. Overseas, together with partners and affiliates, it plans to spend $40,000,000 this year. Chief projects: a polyethylene & chemical plant in both Italy and India; a chemical plant in Britain. President Bunn commented: "Our overseas companies have spent over $100,000,000 in expansion in the last four years. We realize that overseas markets can be developed to the fullest only by local manufacture. Accordingly we have been expanding manufacturing facilities."

Not in line with UK's expansive philosophy is the outlook for the rest of the year. President Bunn noted: "Reflecting a leveling out stage in the general economy, the

President Bunn looks at '60

second quarter and first half may not equal 1959 levels." More specifically he cited "the carryover effects of the steel strike, lower polyethylene resin prices and sharp reductions in stainless steel output." However, like many companies, UK's second quarter last year was "unusually good due to abnormally high steel operating rates."

For the full year, while Carbide "does not expect a boom year," sales and earnings "should compare favorably with 1959."

Allied Alignment

FOR THE first time in its history Allied Chemical Corp did not use the West Wing Reception Room at its 61 Broadway Manhattan headquarters for its annual meeting. Instead the three-quarter billion-assets chemist convened last month's

fortieth annual confab at remodeled Morgan Guaranty Trust Hall a few blocks north at 60 Liberty Street.

In tune with the more modern meeting facilities Allied's new management team, which was realigned last September (IR, Aug 19, 1959), presented an up-to-date look at the No 3 chemical producer. Chairman Kerby H Fisk who is also chief executive officer led off with the comment that while "1959 did not fully come up to expectations it was nonetheless an excellent year." Specifically sales were a record $719,000,000 or 13% ahead of 1958; earnings gained 46% to $50,000,000 or $2.51 a share *v* $1.70 the previous year. Both figures are adjusted for a 2-for-1 split in December. Peak profits year was 1955 when the company earned $52,100,000 ($2.64).

Chairman Fisk then reported on the first quarter of 1960: "Generally good business conditions and increased volume from new product lines made possible record first quarter sales and earnings." Sales reached $184,200,000 or 9% above the first quarter of 1959 and profits rose 19% to $13,500,000 or 68¢ a share compared with 57¢ earned in the first quarter of last year.

As for the second quarter headman Fisk sees "the usual seasonal gains in sale of products to agriculture and the building trade and no abnormal adverse influence for the second half." He looks for a "new second half record."

Supporting these expectations Allied president Chester Brown elaborated upon the company's expanded lines (over 3,000 products) and increased facilities (more than 150 operations). He noted: "We plan to triple nylon tire cord production and in addition build a new plant for fine denier nylon production." Allied is the No 3 nylon tire cord supplier after duPont and Chemstrand. It pioneered in the development of Caprolan (nylon-6) and president Brown notes: "Our nylon expansion is based on the conviction Caprolan is a fine product."

Also on Allied's expansion schedule this year: a new polyethylene plant in Orange, Texas; additional melamine (used to make plastic dishes) facilities at Edgewater, NJ; start of uranium hexachloride production at Metropolis, Ill (capacity is sold to the AEC); and a gypsum board plant in Delaware which will use a new raw material and eliminate the high shipping costs of gypsum rock.

Research Route. President Brown then commented on research and development, budgeted this year at $20,000,000 as against $17,000,000 in 1959. Much of the research funds will go toward "increased concentration on exploratory levels." Specifically he pointed to Allied's interest in fluorine chemistry, textured Caprolan nylon and new applications and molding procedures for polyurethanes.

The third member of the Allied management team, chairman of the executive committee and chief administrative officer Harry Ferguson, summed up: "Overall, 1960 will be a good year. Our third and fourth quarters should be quite good" without the adverse affects of the 1959

steel strike. Of course this estimate takes into account profits from Allied's investment portfolio which is carried on the books at $14,580,000 but has an actual market value of about $90,200,000. Harry Ferguson adds: "Increasing costs make earnings predictions difficult but being reasonably conservative, the new earnings record which eluded us in 1959 should be ours in 1960. Sales will be near $800,000,000 and earnings should be substantially more than $2.75, possibly $3 a share or better."

MANAGEMENT
Manpower Parade

LOTS OF things can happen when two lawyers get together. But chances are they won't decide to start a temporary help agency. However when Milwaukee barristers Aaron Scheinfeld and Elmer Winter began to chat about the problems of extra office help for their peak season, they decided to pool resources and set up Manpower Inc.

That was in the Winter of 1948. Twelve years later Manpower offers its services out of 212 offices in 40 states and eleven foreign countries. Manpower lists as customers all but four of *Fortune's* top 100 corporations plus scads of smaller firms, doctors, lawyers and other professionals.

About two-thirds of its offices are franchised, a policy started six years ago when Manpower found it could not expand fast enough to meet all demands. A franchised office gets the benefits of Manpower advertising and know-how in return for a 5-to-6% fee on business done. Notes president Winter: "It's just right for the guy who wants to be on his own but not completely. It's good for us because we have no capital investment and the fellow who owns his own business has more incentive."

The system has paid off for Manpower. Since 1955 revenues have tripled to the record $15,000,000 scored in the June 1959 fiscal year. Profits have expanded from $105,400 or 18¢ a share to $601,000 or an even $1. Manpower common has expanded at an even faster rate. The original offering of 150,000 shares which brought $2,250,000 last September is now worth almost $6,000,000 at the current over-the-counter price around 38—an electronically-charged 38 times last year's earnings. Even if this year's profits show the expected sharp improvement (in the December half Manpower netted 72¢ *v* 42¢), the present price is apt to represent a quite fancy earnings multiplier. The rest of the company's capitalization consists solely of 450,000 shares held by management.

Manpower differs from the ordinary employment agency in that the employe remains on Manpower rather than the customer's books. Manpower not only takes care of the payroll, it also handles such things as social security, tax withholdings, insurance, etc. The customer gets just one all-inclusive bill. In recent years the employe-leasing idea has produced a plethora of competing firms but Manpower claims to be the most widely developed both

Manpower staffs for Ford

geographically and in services offered.

For instance, the customer can come to Manpower for a part time warehouseman, a comparison shopper, a telephone salesman as well as for a temporary office worker. In addition Manpower has supplied the personnel for sundry odd jobs such as town criers or models at business conventions like the young lady who drove a tractor at a Ford distributors meeting in New Orleans last year (see picture).

Employes are mostly housewives, vacationing schoolgirls and others who just want part time work—and of course get paid only for the hours actually on the job. Elmer Winter figures "more than 120,000 people worked for us last year, this year considerably more." He adds: "We planned to open three new offices a month but we're exceeding that now. We're in the nice position that people seek us out." Five years from now the enthusiastic executive figures "we'll have over 400 offices —at least one in every city we feel can accommodate a Manpower office."

Some of the new offices will be overseas. Chairman Scheinfeld just came back from a visit to the Far East "and we hope soon to have offices in Calcutta, Bangkok, Singapore, Istanbul, Tokyo and Honolulu." President Winter himself just left to see about opening offices in Amsterdam, Copenhagen, Zurich and Tel Aviv. Another foreign plan involves bringing several British girls to the US as part of a training program, then let them work out of various Manpower offices throughout the country so they can see the US.

Expansion is not limited to new offices. In February Manpower spent \$110,000 for Milwaukee's Meisenheimer Printing Company. Most Manpower advertising is direct mail and "while we had our own printing department we still had to farm out

a lot of our stuff." The company sends out "more than 500,000 direct mail letters or cards each six weeks. We call them block busters. And for the past three years we have won the National Direct Mail Award." While Meisenheimer was not profitable "when we got it, we feel it will be by the end of the year."

President Winter also has an eye to other expansion "but only if it is in the merchandising field and can fit into our merchandising services." One possibility: a hotel reservation service. "We could do this easily and with little expense through our teletype system in our different offices." Another possibility: the business school field. "We get such a demand for specialists to operate all the new office equipment being used these days that we've thought of creating our own specialists."

Meantime the original Manpower function currently occupies most of the busy executive's time. "We're in our best season now—April through June. Our offices are all well ahead of where they've ever been and we have more opening up than we've ever had." For this reason, he maintains, "I can't predict how we'll end up in June. All I can say is we'll have an awfully nice year."

MANUFACTURING
Vendo Registers

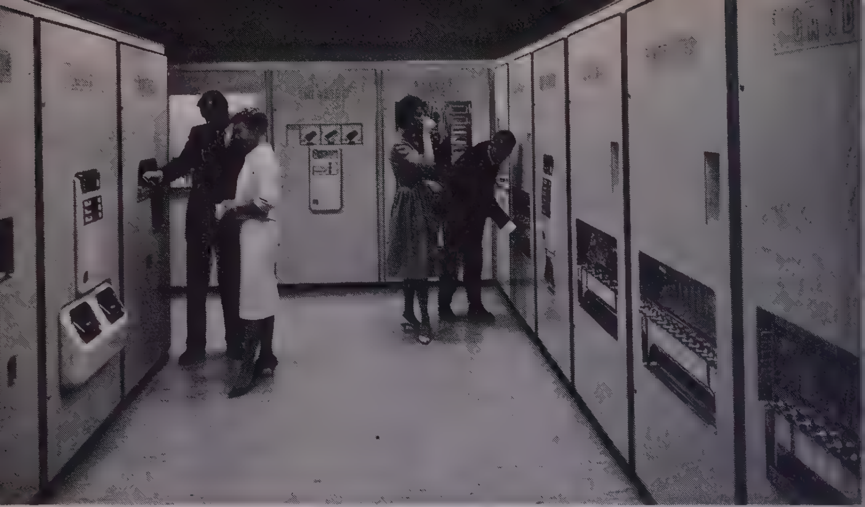
SALES GIRLS can undoubtedly be more attractive but Vendo Company of Kansas City likes to think more & more folks will make their purchases from a machine — especially food snacks and drinks. President John T Pierson describes the $26,000,000 - assets concern as the No 1 manufacturer of automatic vending machines. But manufacturer Vendo does not use the machines to go into retailing on its own and is less well known than larger Automatic Canteen Company of America which derives the bulk of its business from vending products through its machines.

Vendo makes dispensers for "fresh-brew" coffee, milk, ice cream, snack foods and soft drinks. Coca-Cola bottlers are the company's biggest customers; about half of all domestic and 75-to-85% of foreign Coke machines are made by Vendo.

But the company also does a big soda pop machine business with Pepsi-Cola, Royal Crown, 7-Up and Dr Pepper bottlers through subsidiary Vendorlator Manufacturing of Fresno acquired in 1956. Last June Vendo again broadened its line with the purchase of Stoner Manufacturing Company of Aurora, Ill for $2,-350,000. Stoner which did a $5,500,-000 business in 1958 added candy, instant coffee, pastry, cigarets and hot food vending machines.

Now Vendo boasts a "complete line of equipment" and in 1959 had the highest sales and earnings in its 22-year history. Volume gained 53% to $45,000,000 while net income jumped to $2,484,000 or $1.94 a share from $973,000 (82¢) in 1958. For 1960 president Pierson predicts another record year with "sales over $50,000,000 and earnings around $2.50 a share."

As for the March quarter, president Pierson says "it was substantially ahead of 1959." At present



Lunch with Vendo

Vendo does not release quarterly statements but "in July we will publish a six-month report and after that we will do it quarterly," in line with the agreement made when the Big Board listed Vendo early last month under the ticker symbol VEN. The 1,300,000 shares, 60% of which are closely held, have risen sharply in recent weeks. At presstime they traded at 65, six times the 1959 low. Based on the 60¢ annual dividend, the shares now yield a tiny .9%. As for a larger payout, John Pierson says "right now we need to retain all our money for growth purposes" but adds "that policy is flexible."

To maintain industry leadership Vendo has doubled its research budget over last year to a current 3% of sales. One newly developed product: "a more selective and streamlined milk vending machine" which accommodates chocolate milk, fruit drinks, etc. John Pierson expects "this business to blossom because there is a surplus of milk. The dairies will get behind us and anyway it's good for you." Another innovation slated to hit the market this Fall is a "universal vending machine. This can be put outside a supermarket and will sell butter, cheese, eggs, ice cream, milk and even coffee."

Now 57, president Pierson learned about food marketing possibilities during his early business career in the grocery business. Then he turned to insurance before founding Vendo in 1937 along with brother Elmer, now chairman.

FOODS
Bid from Corn Products

ON THE BACK of its neatly tailored black & blue first quarter report Corn Products Company has issued a plea for lost stockholders. According to company records some 310 former owners of Best Foods have failed to convert their stock following the merger with Corn Products in September 1958.

If the silent owners speak up any time in the next four years they will be entitled to dividends piling up at 50¢ quarterly since December 1958. Total to date: $2.50. But dividends uncollected by September 1964 will revert to the company and put a few more kernels into Corn Products' already swelling crib.

In 1959 the $424,000,000-assets food processor posted record sales of $676,400,000 for a 4% gain over 1958. Reported net profits dipped slightly to $33,200,000 from $33,-750,000—but for a purely technical reason. When the company reorganized from a New Jersey to a Delaware corporation last year it exchanged its 233,000 noncallable $7 preferred shares into $40,855,000 of 4⅝% debentures.

The result was a $727,000 saving for common shareholders since bond interest is deducted before taxes, and preferred dividends are paid out of aftertax income. So per share earnings came to $3.04 *v* $3.

Meantime the Sixties started off with March quarter sales up 1% to $165,000,000. Far better news: earnings rose nearly 14% to $8,738,000 or 80¢ a share.

MACHINERY
Worthington Wares

AT THE annual meeting of Worthington Corp at Newark's Essex House last fortnight, stockholders were served a generous spread of hot and cold buffet as well as a look at 1960 by chairman Hobart Cole Ramsey and president Walther H Feldmann. Said chief executive Ramsey: "The Soaring Sixties have not started out as vigorously as predicted, but my associates and I still expect it to be a good business year."

He then reported the 120-year-old industrial machine maker increased net billings 5% to $43,500,000 in the first quarter. However earnings remained virtually static at $1,780,-000 or $1.02 a share compared with $1,768,000 ($1.01) the previous year. But chairman Ramsey predicted "succeeding quarters should show better earnings and the whole year a resumption of our growth trend." To back this up he noted new orders are better than 10% above last year's level while the company backlog has swelled $4,000,000 since yearend to $71,000,000.

Much of this backlog will go into air conditioning and refrigeration equipment which now accounts for approximately 20% of Worthington volume. Although the company's total billings were down 2% in 1959 to $180,000,000, sales of gas furnaces by Mueller-Climatrol division increased 30% while residential air conditioning sales were up 54%. But residential volume is small compared to the large industrial market including office buildings such as Park Avenue's Union Carbide (see page 6) which sports a 43,000-pound cooler on its 51st floor.

The air conditioning & heating lines have captured the No 1 spot from Worthington's longtime prime sales getter: pumps. But the company still puts out a wide range of pumps, from giant civic sewer installations to fractional hp centrifugals used for keeping machine tools well-oiled. Other products are control

Worthington's Feldmann & Ramsey

equipment such as valves and meters, compressors, engines and steam power equipment, with the bulk of the output going to the utilities industry. For instance a Worthington steam condensor and auxiliaries equip Commonwealth Edison's nuclear power plant near Chicago. Worthington taps the defense market too, supplied the 24 diesel engines which power the missile launching facility at Denver's Lowry Air Force Base.

Almost 15% of Worthington's total domestic output is shipped overseas, like the 1,000 deep-well irrigation pumps for the Indus River Valley in Pakistan. In addition Worthington manufactures abroad through some 18 subsidiary or associate companies.

Last year dividends, royalties and engineering fees from these operations amounted to $1,925,000 and equity in their net income was included in the parent's statement for the first time to the tune of $1,510,000 or 90¢ a share.

As for adding more companies to the family 68-year-old Hobe Ramsey philosophizes: "We have a couple we're looking at and you can size up a company pretty quickly so if we find something the deal will be fast. The way we judge a company is 'Can it bring in more in combination with us than it has singly?' We're not interested in growing bigger just for the sake of volume. Rather we're interested in profits."

And he has definite ideas about how to get them. "It is our conviction that liberal expenditures for research and development is the surest road to growth and increased earnings." For that reason roughly $5,000,000 has been budgeted for R&D in 1960. Reflecting on the first quarter chairman Ramsey feels: "Perhaps we are fortunate that 1960 has started out as it has. I would much rather see moderate steady improvement than boom & bust cycles."

MINERALS
Now It Can Be Told

JUST A LITTLE over a year ago Foote Mineral Company shipped its last lithium hydroxide to the Atomic Energy Commission which contracted for a top secret amount back in 1954 (IR, May 13, 1959). Now security regulations have been lifted and last week Foote Mineral officials celebrated their 44th annual meeting by revealing the once elusive figure.

But beforehand the company's

press spokesman solicited guesses from more than 25 financial writers on the average dollar sales of lithium to the Government in the years 1956-58. Winner Bill Whichard of *Business Week* guessed \$10-to-15,000,000 which effectively surrounded the actual \$11,270,000 figure. For his sharpness he received a 50-pound bag of spodumene, the mineral from which lithium is extracted. Since he can not extract any lithium himself from his 50-pound load, winner Whichard may accept a good cigar instead.

The end of the Government contract is reflected in Foote's 1959 sales which dropped 18% to \$20,172,000. Earnings were off even more sharply to 91¢ from \$1.72. Besides the lithium setback Foote Mineral was also hit by the steel strike which dampened sales of manganese and other company products used in steelmaking.

Foote stock has also reacted to the adversities, now sells at 22, as against an alltime high of 61 in 1957.

Meantime Foote volume seems to be recovering. First quarter sales were encouraging considering the expiration of the Government contract. While they dropped to \$5,200,000 from \$7,183,000 the latter figure included \$2,574,000 in Government lithium sales. Thus Foote Mineral's non-Government sales actually were up from \$4,609,000 in the first quarter of 1959. However earnings trended down sharply to \$252,000 or 20¢ a share from \$707,000 (57¢).

Viewing the 1958 and 1959 sales figures together with projected 1960 sales of \$20,000,000 Foote's non-Government business has grown sharply. Specifically it was \$13,500,000 in 1958 (out of \$24,500,000) followed by \$17,000,000 in 1959. And with record R&D expenditures estimated "in excess of \$1,000,000" planned for 1960 Foote Mineral president L G "Tony" Bliss predicted: "We may be entering a new cycle in our growth activity."

ELECTRONICS
Sanborn Monitor

ONE OF THE modern medical miracles is open heart surgery. This unbelievably intricate and daring art is carried on while the patient's blood is shunted past his heart, outside the body to a mechanical heart and respiratory system and back into his circulatory system. To keep track of the patient's condition under these extraordinary circumstances doctors must rely on a complex of remarkable auxiliary machines.

A principal maker of such equipment (shown in action in the picture on page 16) is Sanborn Company, one of the oldest (43 years) electronics companies and a proud resident of the Electronics Highway 128 outside Boston. The tall machine records on paper as many as four different occurrences in the patient's body, particularly the familiar electrocardiogram, as well as brain waves (telling how deeply the patient is anesthetized), blood pressure, body temperature, etc. The same information can be read off by the doctors the moment it hap-

Open heart surgery with Sanborn aid

pens on the circular oscilloscope screen to the right.

Similar Sanborn machines are encountered under less dramatic conditions in other parts of hospitals or in doctors' offices. A new table-sized Sanborn machine recently introduced before the American College of Physicians conference in San Francisco performs simple white and red blood cell counts in about one-third the time required for a manual count.

Medical instruments aided by sales of recording paper have accounted for the majority of sales during most of the company's history. Since 1956, however, electronics instruments for industrial use took the lead. They now represent 55% of sales against zero twelve years ago. Sensitive Sanborn monitoring and recording devices, among other things, detect structural vibrations in underwater atomic research. record telemetered information at missile sites and, on a more earthbound track. detect hot-boxes on railroads.

In keeping with the employe-centered philosophy of its late founder Frank Sanborn, the company has employe clubs, a chapel and a broad spectrum of fringe benefits. More than half the 1,000 employes own company stock; their holdings total 276,000 of the 449,000 shares outstanding. The publicly-held portion of the stock trades over-the-counter at about 31. With sales a record $15,100,000, earnings in 1959 traced an upcurve to $657,-000 or $1.48 a share from $1.19 in 1958. Only a decade ago Sanborn sales were $3,410,000 and earnings 38¢. Financial physicians read increased earnings on the 1960 Sanborn chart and sales of $16,500,000.

Revere Copper Forges Aluminum Link

No 2 Copper Fabricator Looks To Profitable Future With Aluminum Production

BEST KNOWN to consumers (especially housewives and gift-laden newlyweds) for its prestige line of copper-clad cooking ware, Revere Copper & Brass Inc actually finds most of its products consumed anonymously by such bulwarks of US commerce as the auto, building and electrical equipment industries. Headquartered in Manhattan, the $136,000,000-assets metal fabricator turns out copper, brass, bronze and aluminum items of sundry shapes & sizes in 16 plants scattered from Baltimore to Los Angeles.

Revere stands second only to Anaconda Company as a fabricator of brass mill products, a trade term which lumps all "rolling mill" items such as rods, tubes, sheet, whether made of all copper or any of its alloys. Explains a Revere official: "These mill products are really the bread & butter of our business. Consumption increases from 3-to-4% annually and this is where our earning power lies." The largest portion of the brass mill products is sold outright; the rest is processed by Revere into "manufactured products," a category which includes a full line of brass, copper & aluminum forgings and stampings to customer specifications as well as Revere Ware utensils.

But Reveremen feel "the real kicker in the company is aluminum. This industry is growing by leaps & bounds." Revere has its own prime producer in Ormet Corp which it owns jointly with Olin Mathieson. Revere itself fabricates aluminum into sheet, coil, strip, tube and extrusions.

Revere "actually began to fabricate aluminum as far back as 1922 and began to emphasize it during & after War II." In the early Fifties primary aluminum became scarce and the company had to go to Canada to meet its needs. It then decided to insure its supply by producing the raw material and in 1956 joined with growth-minded Olin to form Ormet.

Ormet Order. Now fourth-largest US primary aluminum producer, Ormet owns three ore vessels to ship bauxite from Surinam to its alumina producing plant in Burnside, La (IR, Jan 21, 1959). From there the powdery alumina is transported by chartered barge 1,700 miles up the Mississippi and Ohio to Ormet's key installation, the 180,000-ton-a-year reduction plant in Hannibal, Ohio which began production in April 1958. Across the Ohio River in West Virginia stands Ormet's own coal-fired power source, a 450,000-kw generating station.

So far the venture has cost $241,000,000. In 1958 Ormet secured the necessary long-term financing when it took a $100,000,000 five-year bank loan at 4¼% and borrowed the same amount in 20-year 4½% serial notes from insurance companies. Revere and Olin equally contributed the remainder of the cash. At present the metal fabricator and

the chemical giant own Ormet on a 50-50 basis but until the two loans are paid Olin can avail itself of an option to increase its ownership to 66%. Revere now pays only 34% of Ormet operating costs. Similarly it is entitled to a 34% share of aluminum output or 61,000 tons annually.

Ormet sells the light metal to its parents at cost. Figured into this price is interest on the borrowed funds as well as the accelerated amortization which is needed to make hefty $20,000,000 annual instalments on the bank loan. The loan was conveniently timed to span the five-year period covered by the fast tax writeoff of Ormet's certificate of necessity. Repayments on the insurance notes which begin in 1964 do not require as much cash for they will be spread over a 15-year period. Revere feels it must wait until the bank loan is paid off in September 1963 before it will "realize appreciable profits from the Ormet investment."

Yet even including the heavy early amortization charges, Ormet now produces aluminum "substantially below" the current market price of 26¢ a pound—probably around 24¢. While eventually Revere will no doubt use its full share of Ormet output for its own fabricating facilities, it currently sells some metal to outsiders and "last year we realized a small profit on this."

Basic Brass. More important, Revere last year was able to profit from a sharp recovery in its basic fabricating business for which it credits "the general improvement in the national economy." Volume climbed 35% from 1958's seven-year low to $246,000,000 last year. This comes close to the highs of slightly over $250,000,000 reached in both 1953 and 1956. Net income in 1959 came to $10,100,000 or $3.77 a share, the best results since 1955 when Revere earned $11,300,000 or $4.35 a share. In 1958 when it incurred $1.90 a share in start-up costs for Ormet, Revere netted only $2,482,000 (94¢).

The 6,500 Revere stockholders shared in the recovery as the total quarterly payout was doubled to 50¢ late last year. This brought total 1959 dividends to $1.25, same as in 1958. But even the new rate would have to be supplemented a bit to match the $2.10 distributions of 1956-57.

The recovery in profits and dividends coupled with the aluminum prospects have just about doubled the price of "RVB" shares since mid-1958. They now trade around 44 on the Big Board, ten points below last year's alltime high.

Biggest beneficiary of Revere gains is American Smelting & Refining Company which owns 35% of the 2,700,000 Revere shares. Its interest goes back to 1928 when the present company was formed by the combination of six copper fabricating concerns whose "names read like a roster of old and good friends to American industry." One of the mergees was American Smelting-owned Michigan Copper & Brass Company. Another was Taunton-New Bedford Copper Company

which claims descent from Paul Revere and the country's first (1801) copper rolling mill and gave the combine the opportunity to pick its elite name.

Last May Revere was once again linked with a colonial name when it acquired Edes Manufacturing Company of Plymouth, Mass for 15,000 shares (then worth $564,000). Edes makes photoengraving metals and was founded 109 years ago by descendents of Benjamin Edes, publisher of the *Boston Gazette* and early advocate of US independence. Edes is not a major factor in Revere sales & earnings but is a "sizable" consumer of its mill products.

Revere has not limited itself to US ventures. In 1946 it helped form Industria Sul Americana de Metais ("Isam") in Sao Paulo to fabricate brass mill & aluminum products for the Brazilian market. Revere invested about $500,000 for a 50% interest; the other 50% is held by Brazilians. Isam plows most of its earnings back into the business.

Thus the biggest chunk of Revere's 1960 income will as usual come from domestic brass mill operations. The latest annual report (with a cover of Revere aluminum foil) forecasts: "Surveys of the various industries the company serves indicate a 6% increase in their sales." However the company admits orders are lagging behind last year due to "the drop in housing starts, building construction and general business" along with the instability of copper prices. Because of "reduced demand" first quarter sales

Ormet pours molten aluminum

dipped 4% to $57,000,000 while net income dropped 12% to $2,200,000 or 82¢ a share *v* 94¢ in the similar 1959 period.

The company now feels the "brass mill industry is so low it is entirely out of step with the general economy." It thinks a pick-up "will be coming along shortly."

Already Revere has moved to meet cheaper fabricated imports, last month slashed prices on certain sizes of copper sheet (used mainly in roofing) about 7½¢ a pound or 10-to-15%. The company says it is "prepared to remain competitive."

In addition to hopes for improvement in Revere's own operations, Ormet which is running above its 180,000-ton capacity may give Revere profits somewhat of a boost. All told some Wall Streeters figure the company could earn in the area of $4 a share this year.

Koppers Coal-Spawned Fortunes

Coke-Oven Builder Pushes Chemicals, Plastics, Research To Pull Out of Sales Dip

WITHIN one block of Wall Street a man stood up and recently made a public confession: his five-year plan had gone astray. That man was chairman Fred Calvert Foy of Koppers Company—he still lives to tell the tale.

His absorbed listeners were members of the New York Society of Security Analysts. The five-year plan was the prediction made in 1955 that Koppers would earn $6 a share in 1959 and have gross sales of $300,000,000 on manufacturing volume alone; engineering and construction income would be "frosting" (IR, Aug 10, 1955). A few weeks ago Fred Foy candidly confessed: "I probably should have had my head soaked in brine for making such a statement, but I was young [50 at the time] and brash and I thought I was right. I'm afraid I wasn't."

Specifically, Koppers in 1959 had sales and other income of $241,000,000 of which $27,000,000 was from engineering and construction. Net income was $5,425,000 or $2.10 a share and below the $2.62 earned in 1958. Added chairman Foy: "I want to tell you what happened to the disappearing $6."

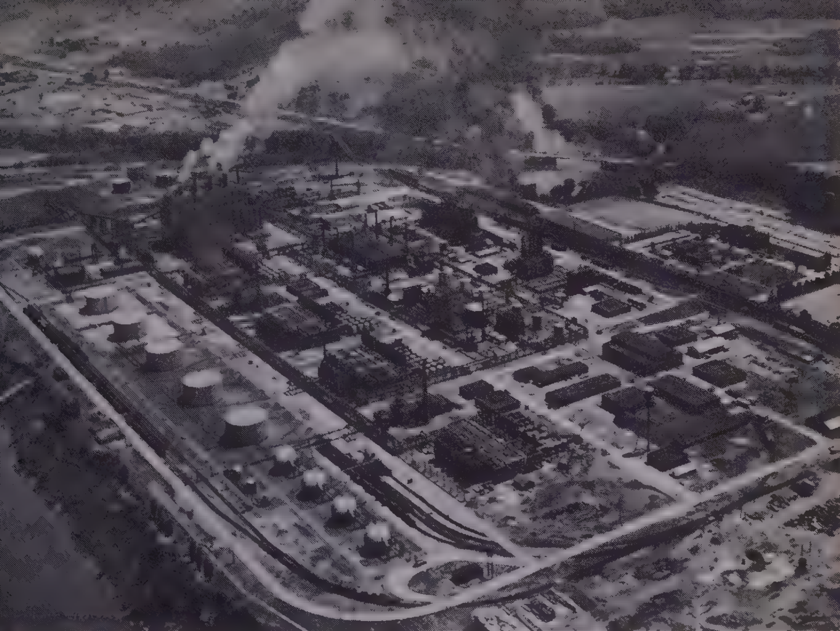
As Fred Foy analyzes it there were three major mistakes:

- In programming the future the company made no allowance for declining prices in chemicals and plastics. "Just as a matter of interest, we figured our earnings would have been $3 a share more, based on an additional $18,800,000 of sales."
- The company did not figure on a recession but counted on a continuous growth curve.
- Koppers was "very optimistic" about its ability to start a new plant and "quick, like a rabbit" receive profits. Says Fred Foy: "I suppose we ought to have known better—the experience in the business has been that it takes quite a while." It took two years for the company to get its Port Arthur, Texas plastics plant in the black. The Port Reading, NJ plastics plant has been working about the same length of time and still loses money. "This is the biggest headache we have right now."

The Koppers showing in 1959 was further complicated by the steel strike. There should have been a slight sales increase over 1958. "However, most of the sales we lost then are sales we should get back later."

Koppers Cycle. A five-year look at Koppers shows a distinctly cyclical pattern. Sales in 1955 were $230,261,000, rose to a peak $326,996,000 in 1957 and dipped to $241,417,000 in 1959. The earnings curve reached its crescendo a year earlier, hitting $5.01 a share in 1956. The following years higher costs depressed profits to $3.86 in 1957 followed by $2.62 in 1958 and $2.10 last year.

With commendable bounce Fred Foy now predicts an increase in sales for 1960. Volume for the first quarter was $67,000,000 *v* $52,000,000 last year. Earnings were $1,773,000



Planeseye view of Kobuta, Pa plastics plant

or 71¢ a share (including 15¢ tax adjustment) *v* 43¢ last year. Further sales stimulation is forecast by a backlog of $163,000,000, almost double a year ago.

Koppers has come a long way since its inception in 1912 as a builder of coke ovens. It followed its nose despite coal fumes and pursued whatever new fields its original preoccupation with coke suggested. Thus the engineering & construction division has gone into blast furnaces and open hearths, as well as sintering plants to upgrade ore before it is used in steel mills. The company has a metal products division which supplies machinery for steel mills, air pollution control, sound deadening, corrugated box making as well as industrial and aircraft piston rings and couplings.

Chemical Reach. But the most important broadening of Koppers is via chemicals. "Destructive distillation" of coal to coke yields a number of useful by-products. Best known is tar, used in roofing, road building and protective coatings. Also derived from tar is naphthalene, used in manufacture of phthalic anhydride, an ingredient in alkyd resins for paints and in plasticizers, dyes, insect repellents and pharmaceuticals. With chemical know-how Koppers was a Government choice for synthetic rubber during War II. Using the styrene plant facilities acquired from the Government after the war, Koppers now turns out styrene monomer, a versatile chemical used in polystyrene plastic and synthetic rubber.

Going a step further with coal-

Koppers planner Foy

derived styrene, Koppers makes Dylite, an expandable lightweight plastic used in housebuilding panels and packaging. Dylite panels are produced in Detroit and sold through licensees including Masonite and National Gypsum. The National Association of Homebuilders uses Dylite panels in demonstration homes. Each panel is a sandwich of two pieces of plywood, Masonite or aluminum with a filling of Dylite. The panels are used for both walls and roofing. Koppers men say they give a builder "heretofore unavailable" flexibility in design.

One of the earlier offshoots of Koppers coal-derived chemicals is creosote — that wonder wood preserver. This led Koppers further afield and now the company makes wood preservatives derived from other sources. One such derivative is used in Non-Com (for non-combustible) wood which is pressure-treated to stop fire. Two insurance rating services recognize this Koppers product as basically non-combustible, allow the same rates as on other non-combustible building materials. One recent application: roofing board in Yale University's futuristic ice hockey rink.

New Steel Departures. In its traditional field of steel technology Koppers also has some new opportunities. One is basic oxygen furnaces. It is now building two for Jones & Laughlin in Cleveland. Another is the Strategic-Udy process of making pig iron directly from a wide variety of ores, without the intermediate steps of purifying the ore. Koppers has worked on this process

with Strategic Materials Corp and has a conditional contract with Quebec South Shore Steel Company for a 100,000-ton plant. Meantime Koppers is doing feasibility studies for Webb & Knapp which recently announced plans for an Arizona plant to convert waste iron-bearing slag from abandoned copper mines.

Still another important steel idea is Koppers' development of an ultra high pressure blast furnace. Says Fred Foy: "Top pressure in a blast furnace now is ten pounds a square inch. We are satisfied we can get 40 pounds a square inch which will double the throughput with less than a 50% increase in cost." Koppers is now talking plans with one major domestic steel company plus a Belgian and a Japanese producer. Fred Foy believes others will be ready to sign after the first plant is built.

Koppers plans to spend $20,000,000 on capital improvements in 1960. One big outlay will be part payment for the company's $8,000,000 research center at Monroeville (outside of Pittsburgh), slated for completion this year. Additional expenditures are destined for the Port Arthur, Texas plastics plant and for a new styrene plant which Koppers and Sinclair Oil are financing jointly. Three-quarters of Koppers capital expenditures in 1960 will be in the chemicals field.

The emphasis at Koppers is on the future. "We could have improved our profits if we had spent less for research & development or had made less conservative allowances for depreciation—but we would have been kidding everybody." R&D expenditures are plotted at around $7,000,000 for 1960, about half to improve existing products and the remainder for new products.

The current Koppers five-year plan has now been scaled down to three during which Fred Foy sees "a gradual increase in sales and an increase in profits." He pointedly adds possible price cuts in chemicals have been considered as well as smaller sales from new products. As for a recession: "We can't figure that in because we don't know when it might come. We figure one would slow us down but then we'd pick up afterwards anyway."

Foy Trail. To reach the top at Koppers, San Francisco-born Foy traveled an unusual route. First a public relations man for San Joaquin Light & Power, he stepped across into the advertising world with J Walter Thompson and Young & Rubicam and then into sales as a Koppers vp in 1948. He headed the tar products division in 1950, became a director of the company in 1954 and president in 1955. Three years later he succeeded Walter F Munnikhuysen as chairman.

If Koppers earnings trend up, Fred Foy has stated he will ask his board to increase the dividend. Stockholders who pocketed only $1.60 last year received $2.50 in 1951-57, as much as $2.05 in 1958. The rate was cut to 40¢ in August 1958. With the traditional when, as & if, this could give a boost to the common stock which traded as high as 74½ in 1956 and as low as 33 in 1957. Currently it sells around 39 for a yield of 4%.

OTIS AUTOMATES

Push-button elevators which run best without human interference are all the cost-cutting rage. World leader Otis Elevator Company also likes to apply automated processes in the construction of these automatic wonders, as witness the $4,000 testing machine at right. First of a series built for Otis by Jersey's ITI Electronics Inc, this machine enables an unskilled worker (no offense to the pleasant young lady pictured; normally she takes dictation from Otis executives) to make 16 different tests on various electronic subassemblies in 40 seconds, or just one-fifth the time needed by a skilled inspector under the old manual system.

An interest in efficiency along with a record influx of business made "1959 an outstanding year in all respects" for Otis. Billings rose 17% to $227,000,000 while earnings, escalating without stop since 1953, stepped up to $24,012,000 or $2.91 a share *v* $2.10 in 1958 (both adjusted for this year's 2-for-1 split).

A good part of the increase stems from an important if temporary sideline: manufacture of pinsetters and components for Brunswick-Balke-Collender. Started in 1956, the manufacture and assembly of complete machines was supposed to phase out last year as Brunswick prepared to take over production itself but unprecedented demand for the automatic bowling equipment resulted instead in more pinsetter business for Otis in 1959 than ever (approximately 20% of total Otis volume). What is more, Otis will still handle considerable pinsetter production this year while maintenance and components contracts run into 1961.

To be numerically specific, Otis delivered 13,250 pinsetters last year to bring its total output of the machines in four years of production to over 33,000. So far this year Otis has already manufactured 3,000 pinsetters out of 6,000 scheduled for full assembly; in addition it has orders for 10,000 sets of components. Even so, president Le Roy A Petersen notes the company's pinsetter volume will be below the 1957 level.

Thus—even after a banner first quarter with earnings of 74¢ *v* 49¢—president Petersen sees possibly lower earnings for the full year. But he adds "this is still going to be a very good year compared with earlier periods other than 1959." Furthermore, he assured a questioning stockholder at the annual meeting two weeks ago, "we anticipate a substantial increase in elevator business" so conceivably Otis could match the 1959 record after all. He noted "our backlog just for conversions to modern-type

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unattended elevators stands at $52,000,000." And he expects total backlog by the end of this year to build up to such heights it would keep the company busy until well into 1962 even if no new business at all were booked during 1961.

Another bright spot for Otis is overseas business. Including locally retained earnings, total foreign profits equaled 79¢ a share last year or almost one-fourth of the pro forma US-plus-foreign grand total of $3.22.

Otis is also not averse to some domestic diversification. "Management's policy is always looking to take on additional products without losing our reputation as the outstanding elevator company. Therefore we are willing to branch into closely related fields." Petersen explained the acquisition of Baker Industrial Trucks in 1954 (a limited operation which has just been lifted into the black) as a "hedge against the tendency to build single-story industrial plants" where lift trucks take over an elevator's function. Otis began to move into electronics in 1953 as a neat "supplement to elevators as these become more electronic in operation themselves." But president Petersen reiterates the elevator-first policy firmly: "We don't want to become a jack of all trades."

RISKS AND REWARDS

Mark Twain, who had a remarkable gift for seeing life steadily and seeing it whole—and then making a cogent comment about it, once observed: "October is one of the peculiarly dangerous months in which to speculate. The others are July, January, September, April, November, May, March, June, December, August, and February."

He was right, of course. Speculation is always dangerous—just as climbing Everest was dangerous and flying the Atlantic in *The Spirit of St. Louis* was dangerous and all adventurous enterprises are dangerous. But such activities obviously have their rewards as well as their risks. And so it is with speculation in securities.

If your budget is limited and your temperament is conservative, then speculation is certainly not for you. You'll be well advised to stick to long-term investing instead of trying to make a quick profit.

On the other hand, if you do have the cash with which to take substantial risks and if you do have the temperament to take both bad news and good with equanimity, you may properly want to speculate. The spirit of adventure and the willingness to take risks are what made this country great—and some speculators wealthy.

Accepted as controlled circulation publication at POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.